



Maryland Health Benefit Exchange  
Financial Sustainability Advisory Committee

*Supplemental Information*

October 24, 2011

# QHP Assessment Mechanics – Member Perspective

- Member premiums established by carriers must be the same inside and outside the exchange
- For a QHP assessment that only applies to exchange membership, carriers will incorporate the anticipated cost of the assessment into the premiums they charge to all members (both inside and outside the exchange) for that product
  - i.e., the price impact of the assessment will be spread across their entire non- or small group business
- Members purchasing insurance through the exchange will see no difference between the premium they pay for a product through the exchange vs. the same product purchased outside the exchange

# QHP Assessment Mechanics – Carrier Perspective

- Member premiums established by carriers must be the same inside and outside the exchange
- For a QHP assessment that only applies to exchange membership, carriers will incorporate the anticipated cost of the assessment into the premiums they charge to all members (both inside and outside the exchange) for that product
- The carrier yield for products sold through the exchange will be lower than for the same product sold outside the exchange due to the assessment, which only accrues to business sold through the exchange

# Premium Build Up – Member Impact

*\* Figures are for illustration only \**

	Exchange	Non-Exchange	Total/Average
Anticipated Membership Distribution	300,000	550,000	850,000
Monthly Premium Prior to Adding Load to Cover Anticipated Assessment Liability <sup>1</sup> .	\$300	\$300	\$300
QHP Assessment (3% for exchange business - \$3.18 is weighted average)	\$9.00	\$0.00	\$3.18
Load built into premiums to cover anticipated assessment liability <sup>2</sup> .	\$3.18	\$3.18	\$3.18
Monthly Premium Including Load to Cover Anticipated Assessment Liability <sup>3</sup> .	\$303.18	\$303.18	\$303.18

1. Premiums charged by carriers must be the same for the same product inside and outside the exchange.
2. Although the assessment only applies to business through the exchange (in this example), carriers will spread the cost of the assessment across their entire non/small group book.
3. Resulting premiums must remain the same inside and outside the exchange.

# Premium Build Up – Carrier View

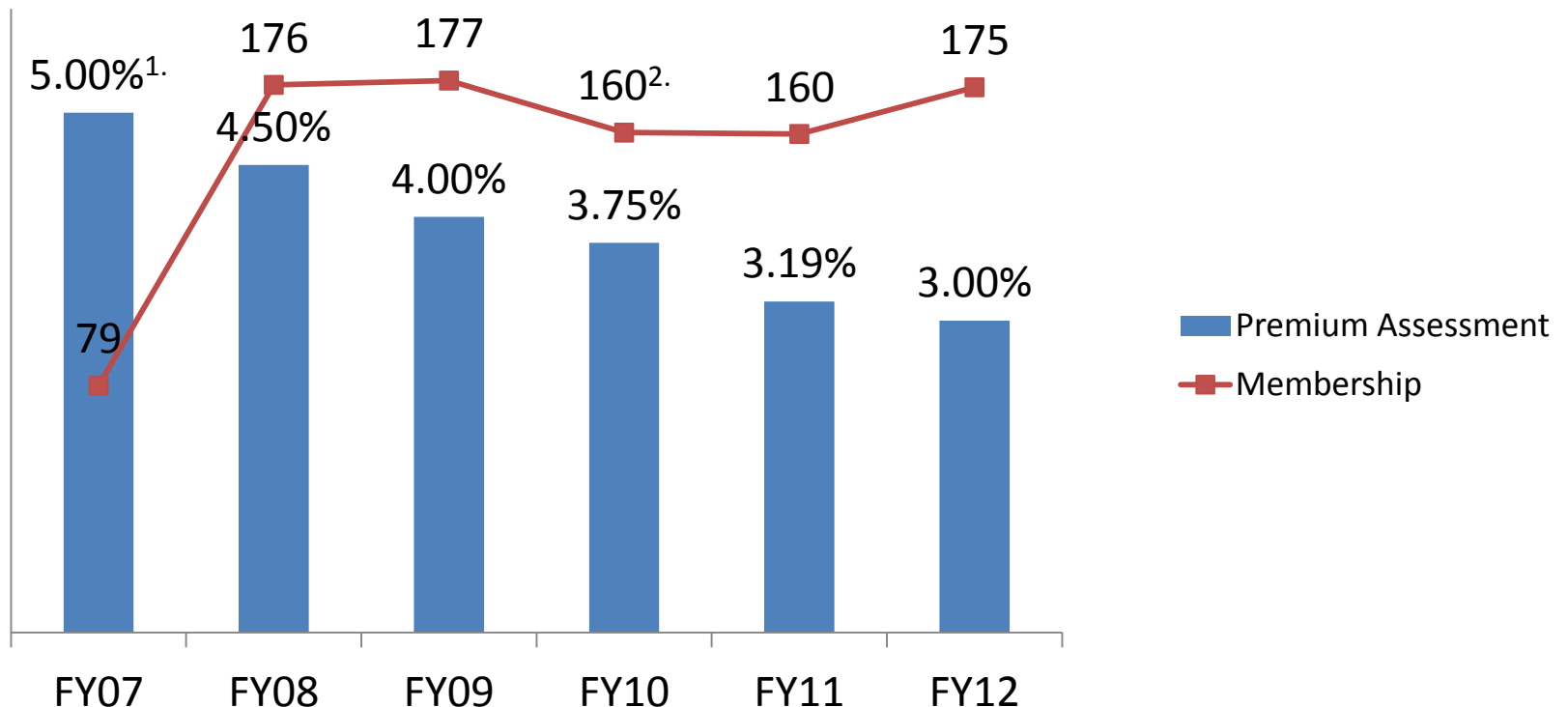
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Monthly Premium Including Load to Cover Anticipated Assessment Liability	\$303.18	\$303.18	\$303.18
Carrier Revenue Net of QHP Assessment <sup>1</sup> .	\$294.18	\$303.18	\$300

1. *Carrier nets lower revenue from exchange enrollees than for non-exchange enrollees. Overall premium yield remains the same if carrier has accurately estimated mix of exchange/non-exchange enrollment.*

# MA Health Connector Experience

**Commonwealth Care (Subsidized Exchange)**  
**Enrollment ('000s) and Premium Assessment, FY2007 - FY2012**



1. Higher initial fees set to manage uncertainty, build organization reserves
2. Reduction in membership in FY10 due to unexpected eligibility change affecting ~25% of population (occurred after fee established for FY10)

# Impact of ACA on Existing Revenue

Assessment	Use of Funds	Mechanism / Method	Approximate Value	Potential Impact of ACA
1. Insurance Premium Tax (Fully Insured, Medicaid MCO Premiums)	Rate stabilization fund; Medicaid	2% of Net Premium	\$378M	Premium collections increase as coverage expands
2. UCC Assessment (Hospital Revenue)	Hospital uncompensated care	Targeted to fund UCC	\$1,000M	Hospital revenues increase due to expanded coverage; Fewer under/uninsured results in UCC decline
3. MHIP (High Risk Pool) Surcharge (Hospital Revenue); CareFirst \$17M contribution in lieu of premium tax	Subsidizes High Risk Pool Premiums	Percent of hospital revenue (.8 - 3%)	\$125M	Hospital revenues increase due to expanded coverage; MHIP potentially replaced with ACA reinsurance pool* (temporary) and/or exchange

\* Temporary reinsurance pool requires states that have an exchange to raise assessment revenue from all carriers to fund reinsurance payments for non-group market



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